

Message Text

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TO USMISSION OECD PARIS IMMEDIATE

INFO AMEMBASSY THE HAGUE PRIORITY

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E.O. 11652:N/A

TAGS: OECD, NL, ECON

SUBJECT: EDRC REVIEW OF THE NETHERLANDS

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REF: A) OECD PARIS 2127 B) THE HAGUE 412

1. AGREE WITH ANALYSIS OFFERED BY SECRETARIAT, MISSION
AND EMBASSY AS OUTLINED REFTELS AND DIRECTION OF QUESTIONS
TO BE USED BY MISSION REPRESENTATIVES.

2. IN ADDITION, WOULD LIKE TO KNOW IF GON HAS TAKEN ACTION

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DURING THE LAST YEAR (AS DISCUSSED IN 1976 EDRC) TO LOWER
EMPLOYERS' SOCIAL SECURITY COSTS. FOR STABILIZATION
PURPOSES, GIVEN EXCESS CAPACITY, LOW PROFIT RATES AND
RELATIVELY HIGH UNEMPLOYMENT, GON COULD CONSIDER REDUCING
LABOR COSTS THROUGH VARIOUS MEANS, ONE OF WHICH COULD BE
BY CUTTING EMPLOYERS SOCIAL SECURITY CONTRIBUTIONS. EFFECT
WOULD BE TO DECREASE TAX BURDEN, RAISE PROFITS BY LOWERING

COSTS AND LOWERING RELATIVE PRICE OF LABOR. HAS GON CONSIDERED EFFECT ON EMPLOYMENT/LABOR COSTS IF ADDITIONAL INVESTMENT DIRECTED TOWARD LABOR-SAVING TECHNOLOGY? ALSO, GIVEN PRESENT DIFFICULTIES IN WAGE BARGAINING PROCESS, WHAT IS REALISTIC ASSESSMENT OF REDUCING LABOR COSTS?

3. IN REFERENCE TO PARA 2, REFTEL A, THERE IS SOME QUESTION AS TO WHETHER INFLATION RATE COULD HAVE BEEN SIGNIFICANTLY HIGHER EVEN IF 1976 GDP INCREASE HAD BEEN AT, FOR EXAMPLE, 5 PERCENT, INSTEAD OF 3.5 PERCENT. AS EMBASSY STATES (PARA 6), WE ARE SOMEWHAT SKEPTICAL ABOUT GON'S 1977 OFFICIAL INFLATION ESTIMATES, GIVEN WAGE BARGAINING DIFFICULTIES.

4. CURRENT ACCOUNT: AGREE WITH EMBASSY COMMENTS PARA 5, REF B. IT IS DIFFICULT TO TELL HOW MUCH CAPITAL EXPORTS WILL TAKE PLACE AND WHERE GON EXPECTS THEY WILL GO. WHAT DOES GON EXPECT TO DO IF ANTICIPATED LEVEL OF CAPITAL EXPORTS DOES NOT OCCUR IN TERMS OF EFFECT ON GUILDER AND HOW THIS WILL EFFECT NETHERLANDS' PARTICIPATION IN SNAKE.

5. MEDIUM-TERM OUTLOOK: WHAT ASSUMPTIONS ARE BEING MADE REGARDING NATURAL GAS PRODUCTION AND EXPORTS?

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